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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN M. PACKES, JR., JAY S. WALKER,
DANIEL E. TEDESCO, STEPHEN C. TULLEY, and KEITH BEMER

Appeal 2008-0341
Application 09/409,041
Technology Center 3600

Decided: June 10, 2008

Before HUBERT C. LORIN, LINDA E. HORNER, and
MICHAEL W. O'NEILL, *Administrative Patent Judges*.

HORNER, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

John M. Packes, Jr. et al. (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 1-5, 12-27, 29, 31-35, 38-42, and 53-56. Claims 6-11, 28, 30, 36, and 37 have been canceled, and claims 43-52 have been withdrawn. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM-IN-PART and ENTER A NEW GROUND OF REJECTION PURSUANT TO 37 C.F.R. § 41.50(b).

THE INVENTION

The Appellants' claimed invention is directed to providing a product to a customer before one or more final transaction term values are established (Spec. 1:22-23). Claims 1, 3, 21, and 54 reproduced below, are representative of the subject matter on appeal.

1. A method comprising:
establishing an agreement with a customer,
the agreement defining a period of time and a
default price for a product,
wherein the customer is to provide
payment of a final price of the product at the
end of the period of time, the final price
being either the default price or an override
price that is received before the end of the
period of time;

conveying, at the beginning of the period of time, the product to the customer;

determining, by a processor, the final price for the product,

wherein the final price is determined to be either the default price or an override price that is received before the end of the period of time; and

completing, at the end of the period of time, a sale of the product using the final price as a term of the sale by charging the final price to the customer.

3. The method of claim 2, wherein said receiving a first override price comprises receiving the first override price from the customer.

21. The method of claim 18, wherein confirming the first override price comprises contacting the competing product provider to verify the first override price.

54. The method of claim 53, wherein said receiving, determining and charging are performed by a credit card issuer.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Bloomberg	US 5,642,279	Jun. 24, 1997
Reuhl	US 5,873,069	Feb. 16, 1999

The Appellants seek our review of the Examiner's rejection of claims 1-5, 12-27, 29, 31-35, 38-42, and 53-56 under 35 U.S.C. § 103(a) as unpatentable over Reuhl and Bloomberg.¹

ISSUE

The issue before us is whether Appellants have shown that the Examiner erred in rejecting claims 1-5, 12-27, 29, 31-35, 38-42, and 53-56 under 35 U.S.C. § 103(a) as unpatentable over Reuhl and Bloomberg. This issue turns on whether one having ordinary skill in the art would have had a reason to combine the prior art teachings in the manner claimed.

FINDINGS OF FACT

We find that the following enumerated findings are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d

¹ The Grounds of Rejection in the Examiner's Answer inadvertently omit claims 18-27 in the listing of the claim rejections (Ans. 3). Neither the Appellants nor the Examiner noted this omission, and the Appellants' briefs address the rejection of these claims. As such, we treat this omission as a typographical error, rather than an intention by the Examiner to withdraw the rejection of claims 18-27.

1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

1. Reuhl discloses an automated pricing system which, on behalf of a retailer, compares pricing for products with competitor retailers and re-prices the retailer's products so that at any given point in time, the price being charged by the retailer is the lowest price on the market (Reuhl, col. 6, ll. 29-35).
2. A sales representative for the retailer can use this comparison shopping data collected by the system to display to a consumer to show that the retailer's prices are the lowest (Reuhl, col. 10, l. 54 – col. 11, l. 25).
3. Based on this information, the retailer and consumer may enter into an agreement by which the retailer agrees to sell the product to the consumer for a final sales price and with special financing terms such that the consumer may receive the product on the day of the sale, but not have to pay for the product until some later time (Reuhl, col. 14, ll. 29-31).
4. In Reuhl, the final sales price is agreed upon during the initial sales transaction, prior to the product being conveyed to the consumer (Reuhl, col. 14, ll. 36-56).
5. Reuhl does not disclose a price protection program.

6. Bloomberg discloses a price protection program in which competitor's prices are reviewed by an employee of a retailer and entered into a computer (Bloomberg, col. 3, l. 64 - col. 4, l. 12).
7. The computer then compares the competitor's price with a transaction price (i.e., the price paid by a particular consumer for the same product), and if the computer determines that the competitor's price is lower and determines that the competitor's price was advertised during a specified time period on or after the date of the consumer's transaction with the retailer, then the computer automatically sends a rebate check to the consumer for the difference in price (Bloomberg, col. 4, l. 35 – col. 5, l. 30 and col. 6, ll. 6-9).
8. Bloomberg describes its particular automated price protection system only within the context of a consumer who pays for the product in full, up-front, and is then issued a rebate check later if a competitor has a lower advertised price.
9. The purpose of Bloomberg's price protection program is to attract consumers by guaranteeing that the consumer gets the best price (Bloomberg, col. 1, ll. 11-50).
10. Bloomberg recognizes that the prior art price protection method has a drawback in that not all consumers will be attracted to a retailer offering such price protection because some consumers will not be inclined to follow up with the retailer if an override

price is found (Bloomberg, col. 1, ll. 31-36). On the other hand, the drawback of Bloomberg's system is that it requires the retailer to expend more resources to hire individuals to scan competitor advertisements and enter the competitor prices into the system (Fact 6). As such, a person having ordinary skill in the art would weigh the costs and benefits of the prior art price protection method against Bloomberg's and determine whether to require the consumer to monitor competitor prices or whether to perform this function itself. Thus, Bloomberg does not teach away from allowing a consumer to submit an override price.

11. Bloomberg does not disclose contacting a competitor to verify an override price.

PRINCIPLES OF LAW

“Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’” *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1734 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called

secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 127 S. Ct. at 1734 (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”)

In *KSR*, the Supreme Court emphasized “the need for caution in granting a patent based on the combination of elements found in the prior art,” *id.* at 1739, and discussed circumstances in which a patent might be determined to be obvious. In particular, the Supreme Court emphasized that “the principles laid down in *Graham* reaffirmed the ‘functional approach’ of *Hotchkiss*, 11 How. 248.” *KSR*, 127 S. Ct. at 1739 (citing *Graham*, 383 U.S. at 12), and reaffirmed principles based on its precedent that “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *Id.* The Court explained:

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Id. at 1740. The operative question in this “functional approach” is thus “whether the improvement is more than the predictable use of prior art elements according to their established functions.” *Id.*

The Supreme Court stated that there are “[t]hree cases decided after *Graham* [that] illustrate the application of this doctrine.” *Id.* at 1739. “In *United States v. Adams*, ... [t]he Court recognized that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result.” *Id.* at 1739-40. “*Sakraidia and Anderson’s-Black Rock* are illustrative – a court must ask whether the improvement is more than the predictable use of prior art elements according to their established function.” *Id.* at 1740.

The Supreme Court stated that “[f]ollowing these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.” *Id.* The Court explained:

Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.

Id. at 1740-41. The Court noted that “[t]o facilitate review, this analysis should be made explicit.” *Id.* (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness”)). However, “the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *Id.*

The Federal Circuit recently concluded that it would have been obvious to combine (1) a mechanical device for actuating a phonograph to play back sounds associated with a letter in a word on a puzzle piece with (2) an electronic, processor-driven device capable of playing the sound associated with a first letter of a word in a book. *Leapfrog Ent., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007) (“[a]ccommodating a prior art mechanical device that accomplishes [a desired] goal to modern electronics would have been reasonably obvious to one of ordinary skill in designing children’s learning devices”). In reaching that conclusion, the Federal Circuit recognized that “[a]n obviousness determination is not the result of a rigid formula disassociated from the consideration of the facts of a case. Indeed, the common sense of those skilled in the art demonstrates why some combinations would have been obvious where others would not.” *Id.* at 1161 (citing *KSR*, 127 S. Ct. 1727, 1739 (“The combination of familiar

elements according to known methods is likely to be obvious when it does no more than yield predictable results.”)). The Federal Circuit relied in part on the fact that Leapfrog had presented no evidence that the inclusion of a reader in the combined device was “uniquely challenging or difficult for one of ordinary skill in the art” or “represented an unobvious step over the prior art.” *Id.* (citing *KSR*, 127 S. Ct. at 1740-41).

ANALYSIS

Group I

The Appellants argued claims 1, 2, 4, 5, 12-16, 18-20, 22-27, 29, 31-35, 38-42, 53, and 55 as a first group (App. Br. 14).² We select claim 1 as a representative claim, and the remaining claims will stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2007).

The Appellants contend (1) the evidence of record lacks any teaching, suggestion, or motivation to combine the references in the manner suggested by the Examiner to produce the specific features of the claimed invention, and (2) the references, even if combinable, fail to suggest “wherein the customer is to provide payment of a final price of the product at the end of the period of time, the final price being either the default price or an override price that is received before the end of the period of time” (App. Br. 13, 15).

² Claim 56 was mistakenly listed in Appellants’ Brief as being part of both Groups I and II. Appellants later clarified in the Reply Brief that claim 56 is part of only Group II (Reply Br. 2).

The Examiner found that that Reuhl shows all of the limitations of claim 1 except for providing an override price, and Bloomberg teaches the method of price protection in order to increase sales (Final Office Action 2-3). The Examiner thus concluded that based on the teaching in Bloomberg, it would have been obvious to modify the active price in Reuhl to incorporate the price protection system of Bloomberg in order to increase sales (Final Office Action 3).

Reuhl discloses establishing an agreement with a customer, defining a period of time and a default price for a product, wherein the customer is to provide payment of a final price of the product at the end of the period of time, conveying, at the beginning of the period of time, the product to the customer, and completing, at the end of the period of time, a sale of the product using the final price as a term of the sale by charging the final price to the customer (Facts 1-4). In Reuhl, the final price is the same as the initial sale price on the date of the sales transaction, there being no price protection program disclosed in Reuhl (Facts 4-5).

Bloomberg discloses a price protection program in which competitors' prices are reviewed by an employee of a retailer and entered into a computer (Fact 6). The computer then compares each competitor's price with a transaction price, and if the competitor's price is lower and was advertised during a specified time period on or after the date of the consumer's transaction with the retailer, then the computer automatically sends a rebate check to the consumer for the difference in price (Fact 7). Bloomberg

describes its particular automated price protection system only within the context of a consumer who pays for the product in full, up-front, and is then issued a rebate check later if a competitor has a lower advertised price (Fact 8).

It was well known at the time of the invention, however, as evidenced by Reuhl, that not all consumers pay in full for products at the time of purchase, and that many retailers offer consumer financing plans that allow consumers to receive a product from a retailer with an agreement to pay for the product at a later time (Fact 3). If one were to apply the price protection program of Bloomberg to the consumer of Reuhl, and a lower competitor price was discovered prior to the consumer actually paying for the product, then there would be no need to go to the expense of cutting a rebate check for the consumer. Rather, the retailer could simply lower the consumer's agreed-upon payment price to the lower competitor's price.

The Examiner determined that one having ordinary skill in the art would have been led to apply Bloomberg's price protection program to the consumer of Reuhl in order to further attract consumers to a retailer's products. In particular, the Examiner found that the nature of the problem to be solved by the finance incentive of Reuhl and the price incentive of Bloomberg is the same, *viz.* to increase sales (Ans. 5). The Examiner further found that "[c]ombining different types of incentives would be well within the reasonable limits of one of ordinary skill in the art of sales" and that

“combining transaction terms is old and well known” (*id.*). The Examiner thus relied on an implicit showing of motivation (Ans. 6).

The Examiner has provided a rational explanation of a reason to combine the prior art teachings in the manner claimed, because Reuhl’s re-pricing system is focused on attracting consumers by ensuring that the retailer is offering the lowest competitive price at any particular point in time (Fact 1), and likewise, the purpose of Bloomberg’s price protection program is to attract consumers by guaranteeing that the consumer gets the best price (Fact 9). *See In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness”), *cited with approval in KSR*, 127 S. Ct. at 1741 (“the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ”).

In *Kahn*, the court recognized that to establish a *prima facie* case of obviousness, the references being combined do not need to explicitly suggest combining their teachings. 441 F.3d at 987-88 (“the teaching, motivation, or suggestion may be implicit from the prior art as a whole, rather than expressly stated in the references”).

An explicit teaching that identifies and selects elements from different sources and states that they should be combined in the same way as in the

invention at issue, is rarely found in the prior art. As precedent illustrates, many factors are relevant to the motivation-to-combine aspect of the obviousness inquiry, such as the field of the specific invention, the subject matter of the references, the extent to which they are in the same or related fields of technology, the nature of the advance made by the applicant, and the maturity and congestion of the field.

...

Precedent has also recognized that “[t]he suggestion or motivation to combine references does not have to be stated expressly; rather it may be shown by reference to the prior art itself, to the nature of the problem solved by the claimed invention, or to the knowledge of one of ordinary skill in the art.”

In re Johnston, 435 F.3d 1381, 1385 (Fed. Cir. 2006) (citing *Medical Instrumentation and Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1221-22 (Fed. Cir. 2003)). “‘The test for an implicit showing is what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art.’” *Kahn*, 441 F.3d at 987-88 (quoting *In re Kotzab*, 217 F.3d 1365, 1370 (Fed. Cir. 2000)).

It would have been an obvious improvement of Reuhl’s re-pricing system to modify this system in order to further attract consumers by offering that, if within some predefined prior of time after the consumer’s purchase a competitor lowers its price below that agreed upon by the

consumer and the retailer, then the retailer will match that lower price. As we found *supra*, if one were to apply the price protection program of Bloomberg to the consumer of Reuhl, and a lower competitor price was discovered prior to the consumer actually paying for the product, then there would be no need to go to the expense of cutting a rebate check for the consumer. Rather, the retailer could simply lower the consumer's agreed-upon payment price to the lower competitor's price.

The Appellants argue that even if it was generally accepted in the art that increasing sales is desirable, that would not mean that "all manners of increasing sales would be obvious." We are not persuaded by this argument. In this case, Bloomberg's price protection technique was used to attract consumers and improve sales for full-paying customers. A person having ordinary skill in the art would have recognized that this same price protection technique could be applied to customers, such as those in Reuhl, who rely on a financing plan to purchase a product. The Appellants have not argued or shown that application of a price protection program to Reuhl would have been beyond the capabilities of one having ordinary skill in the art. *KSR*, 127 S. Ct. at 1740 ("if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill"). Rather, the Appellants argue that if the references were combined, it would not result in the claimed invention (App. Br. 22-23). What the Appellants failed to

consider, however, is that a person of ordinary skill would be able to fit the teachings of Bloomberg and Reuhl together in order to apply the price protection concept of Bloomberg to a situation, such as in Reuhl, in which the consumer has not yet paid for the product when the lower competitive price is discovered. *See KSR*, 127 S. Ct. at 1742 (“in many cases a person of ordinary skill will be able to fit the teachings of multiple patents together like pieces of a puzzle”). A person of ordinary skill is also a person of ordinary creativity, not an automaton. *Id.* The Appellants contend that if a person of ordinary skill in the art were to modify Reuhl with Bloomberg, it would lead to a method in which a customer would provide payment at the end of a period of time defined by a financing plan, and then receive a rebate after providing the payment. This is illogical, as it would not make sense to charge the customer for the full price at the end of the financing period, when the retailer knows full well that it will have to then process and mail out a rebate. Common sense would dictate that it would be much more efficient and cost effective for the retailer to take the rebate into account prior to charging the customer for the final sale price and save itself the added expense of mailing a rebate check.

The Appellants take issue with the fact that the Examiner has failed to make any specific findings as to the level of ordinary skill in the pertinent art (App. Br. 21). We do not find this omission fatal to the obviousness determination, because it is proper to consider the cited prior art as representative of the level of ordinary skill in the art, as the Examiner has

done in this case (Ans. 5). See *Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001) (“[T]he absence of specific findings on the level of skill in the art does not give rise to reversible error ‘where the prior art itself reflects an appropriate level and a need for testimony is not shown’”) (quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985).

Group II

The Appellants argue claims 3, 17, and 56 as a second group (App. Br. 14). We select claim 3 as a representative claim, and the remaining claims will stand or fall with claim 3. 37 C.F.R. § 41.37(c)(1)(vii).

Claim 3 recites that a first override price is received from the customer. The Examiner found that Bloomberg shows that it is an old and well known form of price protection where the system receives an override price from a customer (Ans. 3). The Appellants argue that Bloomberg teaches away from the practice of receiving an override price from a customer (Reply Br. 5).

“A reference may be said to teach away when a person of ordinary skill, upon reading the reference would be led in a direction divergent from the path that was taken by the applicant.” *In re Haruna*, 249 F.3d 1327, 1335 (Fed. Cir. 2001). “[W]hen the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious.” *KSR*, 127 S. Ct. at 1740 (citing *United*

States v. Adams, 383 U.S. 39, 51-52 (1966)). “When a piece of prior art ‘suggests that the line of development flowing from the reference’s disclosure is unlikely to be productive of the result sought by the applicant’ the piece of prior art is said to ‘teach away’ from the claimed invention.” *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (Fed. Cir. 2006) (quoting *In re Gurley*, 27 F.3d 551, 53 (Fed. Cir. 1994)). In *Medichem*, however, the Federal Circuit further explained:

[O]bviousness must be determined in light of all the facts, and there is no rule that a single reference that teaches away will mandate a finding of nonobviousness. Likewise, a given course of action often has simultaneous advantages and disadvantages, and this does not necessarily obviate motivation to combine. See [*Winner Int'l Royalty Corp. v. Wang*, 202 F.3d 1340, 1349 n. 8 (Fed. Cir. 2000)] (“The fact that the motivating benefit comes at the expense of another benefit, however, should not nullify its use as a basis to modify the disclosure of one reference with the teachings of another. Instead, the benefits, both lost and gained, should be weighed against one another.”). Where the prior art contains “apparently conflicting” teachings (i.e., where some references teach the combination and others teach away from it) each reference must be considered “for its power to suggest solutions to an artisan of ordinary skill.... consider[ing] the degree to which one reference might accurately discredit another.” *In re Young*, 927 F.2d 588, 591 (Fed. Cir. 1991).

Id.

In this case, we find that the discussion in Bloomberg of prior art price protection methods, which relied on consumers to monitor competitor prices and provide an override price, would not have discouraged one having ordinary skill in the art from modifying Reuhl in the manner claimed. Rather, Bloomberg recognizes that the prior art price protection method has a drawback in that not all consumers will be attracted to a retailer offering such price protection because some consumers will not be inclined to follow up with the retailer if an override price is found. On the other hand, the drawback of Bloomberg's system is that it requires the retailer to expend more resources to hire individuals to scan competitor advertisements and enter the competitor prices into the system. As such, a person having ordinary skill in the art would weigh the costs and benefits of the prior art price protection method against Bloomberg's and determine whether to require the consumer to monitor competitor prices or whether to perform this function itself. Thus, Bloomberg does not teach away from allowing a consumer to submit an override price (Fact 10). Accordingly, the Appellants have not persuaded us of error in the Examiner's rejection, and we thus sustain the rejection of claims 3, 17, and 56.

Group III

The Appellants argued claim 21 as a third group (App. Br. 14). Claim 21 recites the step of confirming the first override price by contacting the competing product provider to verify the price. The Examiner found that

Bloomberg's maintenance of a database by scanning advertisements of competitors includes contacting the competitors. We disagree. Bloomberg does not disclose contacting a competitor to verify an override price (Fact 11). Rather, Bloomberg describes having its own employees visually scan competitor's advertisements and catalogs to identify override prices (Fact 6). The Examiner has failed to set forth a reason why one having ordinary skill in the art would have been led to contact a competitor to verify a price, when that price was taken from the competitor's own advertisement or catalog. As such, we do not sustain the rejection of claim 21.

Group IV

The Appellants argued claim 54 as a fourth group (App. Br. 14). Claim 54 recites that the steps of receiving transaction information, determining a final price for the product, and charging an account based on the final price are performed by a credit card issuer. The Examiner relies on the Appellants' Admitted Prior Art (AAPA) that "some credit card issuers also provide price protection programs" (Ans. 3, citing Spec. 2, I. 11). The Appellants correctly point out that the Examiner's Final Office Action makes no mention of this AAPA in the rejection of claim 54. As such, we agree with the Appellants that the Examiner has made an improper new ground of rejection in the Answer. Accordingly, we will not sustain the rejection of claim 54.

New Ground of Rejection

The process claims

The claimed invention deals with a business methodology for deciding on a price to charge a customer for a conveyed product. The invention arises from a need to allow a consumer to “acquire a product while paying the lowest price to which he or she is entitled, without having to pay a higher initial sale price and receive a refund at a later time” (Spec. 2:28-30). “The present invention provides advantages to the seller in that the customer’s concern that the product may be obtained from a competing product provider with a more favorable term, such as a lower price, is reduced, resulting in a higher sales volume for the seller” (Spec. 3:11-14).

The methods set forth in claims 12, 26, 31, and 53 are similar to that of claim 1. The method of claim 34 uses a “computing device” to communicate the override price to the seller.

Turning to claim 1 as an example of the type of subject matter sought to patented, the steps are: (a) establishing an agreement defining a period of time and a default price; (b) conveying a product to a customer at the beginning of the period of time; (c) determining, by a “processor,” a final price for the product between the default price and override price received before the end of the period of time; and, (d) completing a sale of the product by charging the customer the final price. The steps of (a) establishing an agreement, (b) conveying a product, and (d) charging a customer, are actions that can be characterized as mental steps in forming a

business transaction. The step (c) of determining a final price with a processor is simply another way of saying that a number is chosen, albeit with a processor. Accordingly, the claimed method amounts to a process for making a decision on a price to charge a customer for a product as part of a business deal.

We adhere to the rule expressed in *Diamond v. Diehr*, 450 U.S. 175 (1981), that, at least absent the development of some hitherto unknown type of technology, “[t]ransformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.” 450 U.S. at 184 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972)), cited with approval in *In re Comiskey*, 499 F.3d 1365, 1377 (Fed. Cir. 2007).

The method claims fail to recite transformation of subject matter into a different state or thing. For example, as we have construed it, claim 1 recites steps of establishing an agreement, conveying a product to the customer, determining a final price for the product, and completing a sale by charging the final price to the customer; that is, the invention claimed as a whole is a combination of mental steps and a step of choosing a number. There is no transformation of subject matter occurring in these method steps. Rather, the invention being described is at best a type of human-human interaction, *i.e.*, a business transaction or, more accurately, a business decision.

We are cognizant that the claims include the generic terms “processor” or a “computing device.” These devices are not particular machines and do not effect a transformation of any subject matter of the claim and thus add nothing to the non-statutory status of the claimed method as a whole. Furthermore, “[n]ominal recitations of structure in an otherwise ineligible method fail to make the method a statutory process.” *Ex parte Langemyr*, Appeal No. 2008-1495, slip op. at 20 (BPAI May 28, 2008). As the panel in *Langemyr* stated, “[t]o permit such a practice would exalt form over substance and permit claim drafters to file the sort of process claims not contemplated by the case law.” *Id.*

Because they do not cause transformation of subject matter into a different state or thing, independent method claims 1, 12, 26, 31, 34, and 53 are not directed to a statutory “process”.

Dependent method claims 2-5, 13-25, 27, 29, 32, 33, 35, and 54-56, likewise fail this first test for the same reasons. None of these dependent claims adds the limitation of a particular machine to the method, nor do they recite a transformation.

Manufacture claims

Independent claims 38-42 each pertain to a computer readable medium that stores computer-readable instructions configured to direct a processor to perform the steps of method claims 1, 12, 26, 31, and 34, respectively.

We have determined that the steps of method claims 1, 12, 26, 31, and 34 are not directed to a statutory process. Accordingly, claims 38-42 each pertain to a computer readable medium that stores computer-readable instructions configured to direct a processor to perform a non-statutory process. This is analogous to placing instructions on a computer readable medium wherein the instructions are designed to implement an algorithm or an abstract idea. As in claim 1, claims 38-42 describe nothing more than the manipulation of steps not tied to a particular machine. There is also no transformation in the subject matter of claims 38-42, because the claim merely recites instructions stored on a computer readable medium. We see no reason why placing instructions on a computer readable medium that cause a general purpose computer, when executed, to engage in manipulations of the sort set forth in claim 1 should be treated any differently than manipulations of abstract ideas or algorithms. Claims directed as a whole to an algorithm or an abstract idea are unpatentable where “[t]he sole practical application of the algorithm was in connection with the programming of a general purpose computer.” *Diehr*, 450 U.S. at 185-186. The statutory status of the claimed subject matter is not affected by having the non-statutory method stored on some computer-readable medium. To hold otherwise would be to exalt form over substance.

Accordingly, we hold that claims 1-5, 12-27, 29, 31-35, 38-42, and 53-56 are directed to non-statutory subject matter, and thus we enter a new ground of rejection of these claims as unpatentable under 35 U.S.C. § 101.

CONCLUSIONS

We conclude the Appellants have not shown that the Examiner erred in rejecting claims 1-5, 12-20, 22-27, 29, 31-35, 38-42, 53, 55 and 56 under 35 U.S.C. § 103(a) as unpatentable over Reuhl and Bloomberg. The Appellants have shown, however, that the Examiner erred in rejecting claims 21 and 54 as unpatentable over Reuhl and Bloomberg.

DECISION

The decision of the Examiner to reject claims 1-5, 12-20, 22-27, 29, 31-35, 38-42, 53, 55 and 56 is affirmed. The decision of the Examiner to reject claims 21 and 54 is reversed.

We enter a new ground of rejection of claims 1-5, 12-27, 29, 31-35, 38-42, and 53-56 under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

Regarding the affirmed rejection(s), 37 C.F.R. § 41.52(a)(1) provides "Appellant may file a single request for rehearing within two months from the date of the original decision of the Board."

In addition to affirming the Examiner's rejection(s) of one or more claims, this decision contains new grounds of rejection pursuant to 37 C.F.R. § 41.50(b) (2007). 37 C.F.R. § 41.50(b) provides "[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review."

37 C.F.R. § 41.50(b) also provides that Appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new grounds of rejection to avoid termination of the appeal as to the rejected claims:

(1) *Reopen prosecution*. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the Examiner, in which event the proceeding will be remanded to the Examiner. . . .

(2) *Request rehearing*. Request that the proceeding be reheard under § 41.52 by the Board upon the same record. . . .

Should Appellants elect to prosecute further before the Examiner pursuant to 37 C.F.R. § 41.50(b)(1), in order to preserve the right to seek review under 35 U.S.C. §§ 141 or 145 with respect to the affirmed rejection, the effective date of the affirmance is deferred until conclusion of the prosecution before the Examiner unless, as a mere incident to the limited prosecution, the affirmed rejection is overcome.

If Appellants elect prosecution before the Examiner and this does not result in allowance of the application, abandonment or a second appeal, this case should be returned to the Board of Patent Appeals and Interferences for final action on the affirmed rejection, including any timely request for rehearing thereof.

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No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED-IN-PART; 37 C.F.R. § 41.50(b)

LV

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